

Staff Summary Report



To: Mayor & City Council
Through: City Manager

Agenda Item Number 8
Meeting Date August 9, 2001

SUBJECT: Notice of Intention to Modify Utility Fees

PREPARED BY: Tom Duensing, Senior Accountant (350-8866)

REVIEWED BY: Rich Oesterle, Financial Services Manager (350-8347)

BRIEF: Notice of intention to modify utility fees.

COMMENTS: **MISC FEES (0210-05)** Request to adopt the Notices of Intention setting the time (7:30 p.m.) and date (September 13, 2001) for the hearings to modify water rates, wastewater rates, and development fees.

Document Name: (20010809fsae01)

Supporting Documents: Yes

SUMMARY: On July 26, 2001, Council directed staff to proceed with water rate, wastewater rate and development fee adjustments. The recommended adjustments are necessary to ensure the utility maintains adequate financial reserves to avoid short-term rate spikes, an equitable distribution between growth and non-growth elements of the capital improvement program, and full cost recovery of its operations.

Water and Wastewater Rate Adjustments

The impact of the recommended water and wastewater rate adjustments on a typical residential monthly bill is an increase of approximately 2.5% during each of the next two years. The impact of these rate adjustments for commercial and industrial customers ranges from approximately 1% to 5%, again over the next biennial budget period (see Exhibit A). These water and wastewater rate adjustments do not alter Tempe's standing as the low-cost utility service provider compared to the five largest cities in the valley (see Exhibit B).

The water and wastewater rate adjustments are concurrent with the FY 01/03 biennial operating and capital Water Utilities Department budget. The first water and wastewater rate adjustments would become effective November 1, 2001 and the second water and wastewater rate adjustments would become

effective November 1, 2002.

Development Fee Adjustments

The average total development fee adjustment for both water and wastewater development fees combined is an increase of approximately 65%. Although this is a significant increase, Tempe's water and wastewater development fees remain among the lowest in the valley (see Exhibit C).

The development fee adjustment would become effective January 11, 2002.

Water Rate and Wastewater Rate Change Process

Pursuant to A.R.S. 9-511.01, a copy of the rate change report must be filed with the City Clerk and a "Notice of Intention" must be adopted at least 30 days prior to a public hearing. The notice of intention must be published at least 20 days prior to the public hearing. After holding the public hearing the council may adopt the rate change.

Development Fee Change Process

Pursuant to A.R.S. 9-463.05, a copy of the rate change report must be filed with the City Clerk and a "Notice of Intention" must be adopted at least 30 days prior to a public hearing. The public hearing must be held at least 14 days prior to the adoption of the rate change.

In order to proceed with these utility rate and fee modifications, the City must first adopt Notices of Intention and conduct public hearings. Attached are the notices setting the time and date of the public hearings (September 13, 2001).

Recommendation

Adopt the Notices of Intention setting the time (7:30 p.m.) and the date (September 13, 2001) for the public hearings to modify water rates, wastewater rates, and development fees. The effective dates of the water and wastewater rate increases would be November 1, 2001 and November 1, 2002. The effective date of the development fee increase would be January 11, 2002.

NOTICE OF INTENTION

A public hearing has been set for September 13, 2001, in the City Council chambers, 31 East Fifth Street, Tempe, Arizona at 7:30 p.m. for the purpose of receiving public comment on proposed water rate modifications. Information relating to the fee change is available at the City Clerk's office, 31 East Fifth Street, Tempe, Arizona.

NOTICE OF INTENTION

A public hearing has been set for September 13, 2001, in the City Council chambers, 31 East Fifth Street, Tempe, Arizona at 7:30 p.m. for the purpose of receiving public comment on proposed wastewater rate modifications. Information relating to the fee change is available at the City Clerk's office, 31 East Fifth Street, Tempe, Arizona.

NOTICE OF INTENTION

A public hearing has been set for September 13, 2001, in the City Council chambers, 31 East Fifth Street, Tempe, Arizona at 7:30 p.m. for the purpose of receiving public comment on proposed development fee modifications. Information relating to the fee change is available at the City Clerk's office, 31 East Fifth Street, Tempe, Arizona.

DRAFT – Schedule for Water/Wastewater Rate Adjustments

- July 26, 2001 Council Issue Review Session – Review of proposed water/wastewater rates with City Council.
- August 9, 2001 Supply written report of data supporting rate increase to the City Clerk (at least 30 days prior to the September 13, 2001 Public Hearing).
- August 9, 2001 **Adopt Notice of Intention** to set time and date of the Public Hearing (at least 30 date prior to the Public Hearing).
- August 23, 2001 **Publish Notice of Intention** in newspaper (not less than 20 days prior to the Public Hearing).
- September 13, 2001 **Hold Public Hearing and Adopt Rate Adjustments.**
- November 1, 2001 Effective date of rate adjustments (at least 30 days after the rate resolution is adopted).

DRAFT – Schedule for Water/Wastewater Development Fee Adjustments

- July 26, 2001 Council Issue Review Session – Review of proposed water/wastewater rates with City Council.
- August 9, 2001 Supply written report of data supporting fee increase to the City Clerk (at least 30 days prior to the September 13, 2001 Public Hearing).
- August 9, 2001 **Adopt Notice of Intention** to set time and date of the Public Hearing (at least 30 days prior to the Public Hearing).
- September 13, 2001 **Hold Public Hearing.**
- October 11, 2001 **Adopt Development Fees** (at least 14 days after Public Hearing).
- January 11, 2001 Effective date of adjusted development fees (at least 90 days after the fee resolution is adopted).

- (1) The following meter sizes are assumed: Residential Single Family - one 5/8", Multi-Family and all commercial - one 2.0", Industrial Semi-Conductor - two 6", Industrial Food Processor - two 3".
- (2) Reflects average water consumption for each customer category: the amount discharged to the sewer is based upon the applicable "return to sewer" factor for each sewer category.

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City of Tempe

Comparisons of Tempe Proposed Rates

Utility Bills with Local Municipalities

	Tempe		Other Valley Cities				
	Current	Proposed	Scottsdale	Phoenix	Mesa	Chandler	Glendale
Single Family							
Water	20.35	20.78	35.77	23.05	32.29	26.61	27.26
Sewer	11.79	12.17	15.39	14.47	15.41	14.26	20.00
Environmental	-	-	4.16	1.60	-	-	-
Total	32.14	32.95	55.32	39.12	47.70	40.87	47.26
Mult. Family							
Water	87.28	89.09	135.07	96.63	137.06	137.93	101.71
Sewer	60.57	62.49	107.92	54.73	58.37	72.72	91.63
Environmental	-	-	20.45	20.78	-	-	-
Total	147.85	151.58	263.44	172.14	195.43	210.65	193.34
Commercial - Low Strength							
Water	94.30	96.24	150.12	108.95	151.59	149.83	96.07
Sewer	70.79	75.92	89.14	54.62	66.56	84.45	85.86
Environmental	-	-	16.89	23.41	-	-	-
Total	165.09	172.16	256.16	186.98	218.15	234.28	181.93
Commercial - High Strength							
Water	103.07	105.17	167.32	124.35	169.75	164.71	105.83
Sewer	110.66	115.05	173.69	128.58	126.60	113.22	312.92
Environmental	-	-	32.92	24.48	-	-	-
Total	213.73	220.22	373.93	277.42	296.35	277.93	418.75

City of Tempe

Comparisons of Tempe Proposed Rates Utility Bills with Local Municipalities

	Tempe		Other Valley Cities				
	Current	Proposed	Scottsdale	Phoenix	Mesa	Chandler	Glendale
Industrial - Semi-Conductor							
Water	68,713.35	69,924.07	129,434.15	115,600.12	136,516.60	112,283.60	73,465.38
Sewer	75,000.00	81,600.00	87,105.19	54,232.24	108,826.14	104,400.12	99,603.55
Environmental	-	-	16,509.05	27,858.29	1,066.67	-	-
Total	143,713.35	151,524.07	233,048.39	197,690.65	246,409.40	216,683.72	173,068.93
Industrial - Food Processor							
Water	34,243.45	34,846.67	64,371.00	57,821.57	68,197.70	n/a	36,706.04
Sewer	106,500.00	107,700.00	130,872.79	147,272.89	239,812.85	n/a	150,303.55
Environmental	-	-	24,804.32	13,447.86	1,066.67	n/a	-
Total	140,743.45	142,546.67	220,048.11	218,542.33	309,077.22	n/a	187,009.59

- (1) The following meter sizes are assumed: Residential Single Family - one 5/8"; Multi. Family and both commercial - 2.0"; Industrial Semi-Conductor - two 6"; Industrial Food Processor - two 3".
- (2) Assumes the following water consumption levels in gallons: Single Family - 15,000; Multi. Family - 50,600; Commercial Low Strength - 57,000; Commercial High Strength - 65,000; Industrial Semi-Conductor - 60,000,000; Industrial Food Processor - 30000000
- (3) Reflects rates for customers within the respective city limits.
- (4) Reflects weighted average seasonal water rates for Phoenix and western zone rates for Mesa.
- (5) The City of Chandler does not have high strength industrial discharges.